



April 1, 2024

Dear Mace Shareholder,

Thank you for your continued investment and belief in Mace. I want to directly address the financial performance of our Company in the fourth quarter of 2023. Given the absence of a Q4, 2024 earnings call, it is vital to share insights into our recent financial landscape, strategic pivots, and forward-looking initiatives.

Fourth Quarter Overview:

The fourth quarter of 2023 presented us with challenges and learning opportunities. Net sales were down by \$434K compared to the same period last year, yet we saw a 12% increase from Q3, 2023. A significant portion of this decrease can be attributed to lower sales from Amazon Vendor Central and AutoZone, two of our traditionally strong channels.

- **Amazon Vendor Central** has shown a continued decline in purchase orders since late 2021, primarily due to overstocking. From peak sales of \$552K in July 2021, Q4 2023 saw a stark reduction to an average of \$40K per month. **However, our pivot to Amazon Seller Central** is already bearing fruit, with current sales at a \$1MM annual run rate. Furthermore, we anticipate a 20-35% sales increase by Q3, 2024 following our transition to a new agency in March 2024. Amazon Seller Central sales increased 126% in Q1 2024 compared with Q1 2022, 99% in Q2 2023 compared with Q2 2022, 37% in Q3 2023 compared with Q3 2022 and 52% in Q4 2023 compared with Q4 2022.
- **AutoZone's** decision to shift away from Mace products was certainly a setback. We are engaged with other retail prospects currently to replace the lost sales. We are focused on landing two new retailers this year. Annual sales to revenues typically average \$1-2MM.



International Markets and E-commerce Growth:

Sales to our base business and other retailers saw a slight downturn, largely due to reduced foot traffic. However, the international front looks promising, especially after our engagements at the SHOT Show, which may translate to an additional \$50-100K in orders monthly. The F-3 mobile pepper spray device has garnered significant interest from law enforcement agencies in the Middle East and South America.

Amazon Seller Central, specifically, has been a bright spot, with a 52% increase in sales in Q4, 2023 compared to the same quarter in the previous year. This is a testament to our strategic focus towards digital sales channels and direct-to-consumer engagement during the last twelve months.

Financial Health and New Initiatives:

Despite a decrease in gross profits by \$325K from Q4, 2022, due to lower revenues and operating inefficiencies, we have seen an improvement in efficiencies by 246 bps in Q1, 2024. SG&A expenses remained stable, net of transition costs totaling \$165K, underscoring our efforts to streamline operations and manage expenses effectively.

The net loss widened to \$2,285K, significantly impacted by a one-time asset impairment charge. However, it's essential to recognize the proactive steps we've taken to diversify and strengthen our revenue streams:

- Expanding into training services.
- Developing and launching new products such as the pepper launcher and smart pepper spray.
- Enhancing our online presence through Amazon Seller Central and our own platform, Mace.com, aiming for a \$1.5-2.5MM revenue run rate by Q4, 2024.



Looking Forward:

Our strategy moving forward is to capitalize on our new ventures while continuing to optimize our core retail and base business operations. The successful execution of these initiatives, coupled with improved operational efficiencies, will be critical as we navigate through the current tight cash and slow sales environment.

We are determined to reach an Adjusted EBITDA breakpoint revenue level of approximately \$7MM, leveraging our historical gross profit level of 43% and managing SG&A costs effectively. Our focus remains steadfast on driving growth, enhancing shareholder value, and solidifying Mace's position in the market.

I want to express my gratitude for your patience and support. We are navigating through these challenging times with a clear focus on sustainable growth and profitability. Your continued confidence in Mace fuels our commitment to achieving our shared goals.

We look forward to sharing with you details about several recently launched initiatives at our Investor Day presentation, which will also include a Q&A session allowing participants to learn more about our future playbook.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sanjay Singh', with a stylized, jagged flourish at the end.

Sanjay Singh
CEO & Chairman, Mace Security International, Inc